SaskPower
Northern Enterprise Fund

1999 ANNUAL REPORT

SaskPower Northern Enterprise Fund

The SaskPower Northern Enterprise Fund
was established in 1988
to provide economic and
educational support to
the residents of
northern Saskatchewan.

Capital for the Fund
was derived from electricity
generated at the northern
hydroelectric stations
of SaskPower.

101-05428/

Executive Director Report

The SaskPower Northern Enterprise Fund (the "Fund") completed its eleventh full year of operations in 1999. It was a year of review, change and modest growth for the corporation.

The Fund completed a strategic review of programs and operations in 1999, and developed an action plan to ensure the continuing sustainability and viability of the corporation as a significant player in support of economic development in northern Saskatchewan.

A reorganization of administrative support systems was also carried out during the year in order to keep pace with the significant growth in the Fund since 1995. As part of the reorganization, the corporation implemented new systems, office technologies and procedures to increase efficiency and reliability of information. These innovations are being supported by comprehensive staff training programs.

The Fund co-managed the establishment of the Beauval Network Centre during the first half of 1999. The Fund now acts as the anchor for the centre and provides office space and various support services for use by the network centre partners.

Consistent with Fund objectives, the year was marked by loan stability and declining loan guarantee exposure. The Fund maintained an active loans portfolio of $3.5 million in 85 northern projects during the year, and committed a further $600 thousand to 10 projects. Over the same period, the Fund's exposure to loan guarantees declined 51% to $211 thousand.

To successfully deliver on its mandate, the Fund must continue to be financially strong. The base of the corporation's strength is the Statement of Operations and Net Assets for the year, which indicates income of $80 thousand and net assets of $7.18 million. These figures underscore the strength, stability and vitality of the Fund.

The Fund's directors, management and staff are committed to serving current and emerging client needs with care and skill, and to providing wise stewardship of Fund resources on behalf of all northerners. We look forward to meeting the challenges of the future.

Gordon Shaw
Executive Director

Network Centre

Beauval Network Centre

Entrepreneurs and small businesses in northern communities now have easier access to a variety of federal and provincial government programs and services with the opening of the new Beauval Network Centre in the former Northlands College building. The building was renovated with a $100,000 contribution from the Western Economic Diversification Canada (WD).

The centre, officially opened September 20, 1999, brings together a comprehensive group of government and non-government agencies providing business financing, development and training services. SaskPower Northern Enterprise Fund acts as the anchor for the centre. A staff person books appointments and takes information for officers traveling to the centre.

Others who are using the centre include: Beaver River Community Futures Development Corporation (CFDC); SaskNative Economic Development Corporation (SNEDCO); Northern Saskatchewan Tourism Region; Northlands College; North West Communities

officially opens

Network Centre

Wood Products Ltd; Beauval Small Business Loans Association and the Office of Northern Affairs/Northern Development Fund.

Entrepreneurs and existing businesses can receive help for financing options, business training, contracting and procurement of opportunities as well as information on government programs and services. The centre's partners can provide improved access to participation loans and other business support services.

Partners can take advantage of communications equipment, business resource information and business planning available at the centre. Partners also hope to promote and expand long-term partnerships between lenders, tourism groups, industry, forestry companies and local economic development agencies and stimulate economic activity.

Pictured from left to right, Doug Maley, WD; Sandy Rediron, Northern Village of Beauval; Lawrence McIntyre, Beaver River CFDC; Joe Roberts, SaskPower NEF; Rick Laliberte, MP; Patricia Hall, Northern Enterprise Fund Inc.; Paula Stalwick, Northern Saskatchewan Tourism Region; Ross McLeod, Great Lakes SBLA; and Joe Daigneault, Northlands College. At right, the gathering is addressed by Randy Winnitoway, WD, master of ceremonies for the event.

Investment Fund Directors

Elmer Campbell, Joe Roberts, Carol Rowlett
Doreen Morin, Harold Carriere, Roy Cheecham, Lawrence McIntyre

Elmer Campbell
Chief
Buffalo River Dene Nation
Dillon
Director since 1993

Joe Roberts
Self-employed
Stanley Mission
Director since 1989

Carol Rowlett
Project Liaison Coordinator
Office of Northern Affairs
La Ronge
Director since 1995

Harold (Butch) Carriere
Businessman
Cumberland House
Director since 1991

Roy Cheecham
Chief
Clearwater River Dene Nation,
La Loche
Director since 1989

Lawrence McIntyre
Chief Executive Officer
Des Nedhe Development Corp.
Patuanak
Director since 1991

Doreen Morin
Homemaker
Sandy Bay
Director since 1994

The Investment Fund Directors function as an objective body, sensitive to northern development issues while giving due consideration to proposals generated through the application process. Their combined knowledge, experience and dedication ensure the Fund will continue to assist current and future generations of northerners.

Financing for small business

The mandate of the SaskPower Northern Enterprise Fund is to stimulate economic growth in northern Saskatchewan and encourage economic independence. Over the years, the Fund has used a variety of financial vehicles to assist in fulfilling its mandate and helping northern businesses achieve their goals.

Financial Products

Initially, the Fund chose to offer grants and loan guarantees as the two most appropriate financial vehicles in support of northern economic development. From 1988 to 1990, $372 thousand was provided through grants and over $950 thousand was provided through loan guarantees. By 1991, it became increasingly apparent that the sustainability of business ventures required owner equity and the grant program was suspended the following year. Loan guarantees continued to remain the primary financial vehicle of the Fund as they provided opportunities for northern businesses to establish credit ratings and relationships with financial institutions. By 1995, the balance of the loan guarantee portfolio reached $1.8 million. It was determined at this time that direct loans would be a more appropriate financial vehicle and loan guarantees were no longer offered, or would be available only in exceptional situations.

Direct loans had been introduced in 1990, however minimal emphasis was placed on debt financing through the Fund until 1995. It was decided that the direct loan program would become the main focus of the Fund as the northern economy was showing growth and larger projects were being implemented. It also became essential to develop a syndication network to accommodate larger projects. The first participation agreement was signed with Visions North CFDC in 1995. By 1999, the Fund had signed participation agreements with nine organizations and partnered in 42 syndicated loans.

Impact of the Fund

Over the 11 year period, the Fund has had significant impact on northern Sakatchewan.

- 880 financial applications were received.
- 420 northern businesses obtained financing totaling in excess of $14.5 million.
- 38 northern businesses were provided with capital grants totaling $420 thousand.
- 42 participation loans were negotiated with nine other financial institutions, leveraging long term financing in excess of $10 million.
- 1,200 jobs were created and/or maintianed

Business Profile

Mistik Lodge

Gary Carriere, Cumberland House

Gary Carriere says the fire that burned the main lodge building at his outfitting camp in 1993 was more than a turning point in his life – it was the best thing that ever happened to him.

Carriere is a self-made man. He has always worked, often hundreds of miles from his wife and nine children. His strong desire to spend more time raising his children drew him to consider his childhood dream of running an outfitting business.

At first the financial challenges were many. His attempts to borrow money from conventional institutions were thwarted because he had no collateral and no experience. But Carriere says he was on a mission.

"Once I made up this stubborn mind of mine I wouldn't give up," he says.

So he raised money by selling anything he had of value and he slowly constructed a modest facility. That first year he hosted 10 hunters. With the profit from these clients he added to his camp. In this style the business grew for four years.

It was in the fourth year that apparent tragedy struck – a fire that consumed his main lodge. At first Carriere was devastated. The financial loss was significant. But, as with so many experiences life offers, Carriere now says that fire was a blessing. He says the humility the experience taught him has been priceless.

"The Holy Spirit touched me and things started working for me," Carriere says.

Carriere had already borrowed and repaid $30,000 from the SaskPower Northern Enterprise Fund and he decided to use the service again to rebuild and expand. But he knew funding had to be adequate.

"I realized you can't start a business with $30,000. You need some float money," he says.

He secured a $96,000 loan and constructed a beautiful and functional facility to host 100 hunters each year.

His clients are all Americans who reach the Cumberland House destination by small plane or vehicle. Carriere is pleased with the high success rate he has been able to provide for the hunters. Every one has bagged his game.

"There are 300 million Americans and one million of them are hunters. I don't want to build my numbers or the success rate could drop."

Bouvier & Son Logging

Robert F. Bouvier, Beauval

Business Profile

Robert Bouvier has made a living outdoors all his life and although he is now 55 years old, he has no plans to retire.

"I don't think I'll ever stop. I want to work all the time."

Bouvier was in the commercial fishing business for years until prices started to drop over 10 years ago. He saw an opportunity to make his living in forestry and jumped at it.

"I started with line skidding," he says. "Everything was done with power saws."

He explains that in such a system loggers cut each tree by hand. His newer system is much more efficient.

"About four years ago I went to a completely mechanical system," says Bouvier.

Within this system are three machines: a buncher to cut the trees, a delimber, and a skidder to pull the logs from the cut and pile them at the roadside.

Bouvier has a crew of six men and a cook to operate this system on a 24-hour schedule. He needs to run his machine full-time to meet the quota of his contracts with three major buyers – Weyerhaeuser Canada, Mistik Management, and Clearwater Forest Products. Unlike many of his counterparts, he has secured agreements with all three companies.

"I'm one of the lucky ones," Bouvier says.

His crew moves three or four times each year, taking with it the cook shack, bunk house, power plant and showers.

"We have a beautiful camp," he says.

Bouvier appreciates the funding he has received from the SaskPower Northern Enterprise Fund over the years.

"About one third of my funding has been from SaskPower," he says, although it has not come all at once. "It's much easier to borrow money where you've been dealing," he says.

Bouvier says life as a business owner suits him very well.

"When you've accomplished this much you feel good," he says. "I don't want to get rich, I just want to make a good living."

Business Profile

Pearson Enterprises

Doug & Elvena Pearson, Pelican Narrows

Doug Pearson first entered the business world at age 21 with a taxi service and he hasn't looked back since.

Now, almost 30 years later, he and his wife Elvena have expanded their business to include a wide variety of ventures.

"What is it we don't do?" chuckles Doug.

Pelican Narrows is the headquarters from where Doug and Elvena run their confectionery, laundromat, gasoline and propane sales, and fleet of trucks.

This wide variety of pursuits means very long hours for Doug and Elvena. He says in the summer he works from 8:00 a.m. to 6:00 p.m. hauling gravel and then takes an evening shift with Elvena until after midnight to close the store and prepare it for the next day. In the winter they take a nine or 10 hour shift in the store each day.

The Pearsons have been a client of the SaskPower Northern Enterprise Fund since 1990 when they decided to expand their arcade and confectionery to include a laundromat. This expansion meant a move from the 16' x 22' building they were operating in. With the assistance of the Fund they erected a new 28' x 62' building and officially opened the laundromat on December 13, 1990. The store now has six part-time employees.

Most recently Doug and Elvena have expanded their interest in the trucking business. Last year they received a loan from the Fund for two trucks and a rubber-tired loader. They now run five trucks, which will mean employment for three truck drivers and one other employee this summer.

Over the past 10 years the Pearsons' four adult children have become increasingly involved in the business and some have struck out on their own. One son has received money from the Fund for a cat loader and is doing very well. Another son owns and operates a small sawmill.

Their other children are both employed full-time by their father in various capacities within the operation, hoping they will take over in the near future.

It seems the Pearsons' life of self-employment will be passed down through the generations.

Scholarships for Northern Students

The Northern Spirit Scholarship program was established in 1990 to provide educational support to residents of northern Saskatchewan. Since its inception, the Program has provided 160 scholarships totalling $400,000 to 90 northern students. Forty-eight of these students have graduated and are pursuing productive careers in their chosen professions.

Under the Program, any permanent resident of northern Saskatchewan who enrolls in a full course of studies at a post secondary institution may apply to the Fund for an annual scholarship of $2,500. The scholarship it renewable to a maximum of four awards per student.

All applications are reviewed by a committee of the Investment Fund Directors. The scholarship committee judges the applications based on:

- relationship to the general mandate of the Fund
- academic achievement
- course of study
- extracurricular activities
- location of post secondary institution
- financial need
- regional distribution of scholarships
- future benefit to northern development

We are pleased to profile two exceptional northerners who received Northern Spirit scholarships in the years 1991 - 1995. Both Mark Tymchak and Glenda Laliberte have excelled in pursuit of their education and represent the very best of the northern spirit. We are proud to have been able to provide assistance in support of their education.

Northern Spirit Scholarship Committee

Joe Roberts
Lawrence McIntyre
Harold Carriere

Scholarship Profile

Mark Tymchak, La Ronge

Biochemist

University of Saskatchewan

Mark Tymchak is doing anti-cancer medication research at the University of Regina for his doctorate in biochemistry .

The 26-year-old scientist has been studying biochemistry since he graduated from Churchill High in La Ronge in 1991. His pursuit for higher learning has not been inexpensive so he appreciated the four $2,500 scholarships he réceived from the SaskPower Northern Enterprise Fund from 1991 to 1995.

"It was a huge help to paying my way. It would have been very difficult without that money."

He says he heard about the Fund at school.

"I had heard about the program through the guidance counsellor," Mark says. "I knew I wanted to go to the university so I applied."

His doctorate will be complete within two years and he will then begin his career. Options could include a teaching position at a university or pharmaceutical research for a private company.

He says a move to northern Saskatchewan would be ideal.

"I'd love to return to the North," he says. "My wife and I have been talking about how we could get back up there. It all depends on the type of positions available."

Mark and his wife Cara have one son, three-year-old Jordan, and another child is expected this summer.

Both are from northern Saskatchewan and find the way of life in southern Saskatchewan a big change.

"I miss the northern people," says Mark. "It's a different way of life here, a different type of culture."

He has worked most summers back in the North with Human Resources Canada, Cameco and Cogema.

Mark advocates post secondary training for other northern people.

"It's encouraging to see more and more students from the North getting a higher education. It's going to benefit the North in the end."

Glenda Laliberte, Beauval

Dental Therapist/Hygienist

National School of Dental Therapy, Prince Albert

Scholarship Profile

Glenda Laliberte loves what she does. It is evident in her voice.

"Dental Therapy is an excellent program to take. You're doing everybody a favor, and at the same time educating a lot of people."

Glenda is a dental therapist/hygienist stationed in La Ronge and working in the Senator Myles Venne school.

She says the students aged 17 and under in northern Saskatchewan receive free dental treatment through the school system. She is on one of three teams stationed in La Ronge to provide these services. As a dental therapist Glenda is qualified to do fillings, extractions, stainless steel crowns and other dental procedures.

She grew up in Beauval, and as a teenager, decided to work in the dental field .

"When I was in Grade 11 I had hopes to be a dentist," she says.

She put her mind to it and, with the help of the SaskPower Northern Enterprise Fund, attended a two-year Dental Therapy course in Prince Albert, a year at the University of Saskatchewan and a one-year Dental Hygiene program in Regina.

The scholarship, which totalled $10,000 over the four years, was very helpful to the student.

"I was pretty happy when I got it,"she says. "It made the school life a lot easier."

Life can be very difficult for a young student leaving the North and moving to much larger centres.

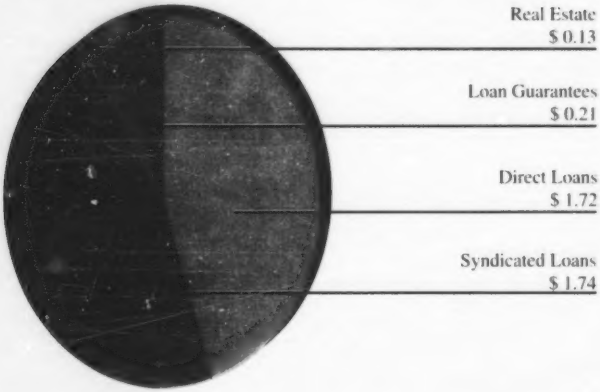
"When I moved to Regina I had no idea where to go. It was quite scary and a long haul back home."

But Glenda stuck it out and took her first position which she held for three years as a dental hygienist in North Battleford. She and her fiancé, an RCMP member, moved to La Ronge 18 months ago.

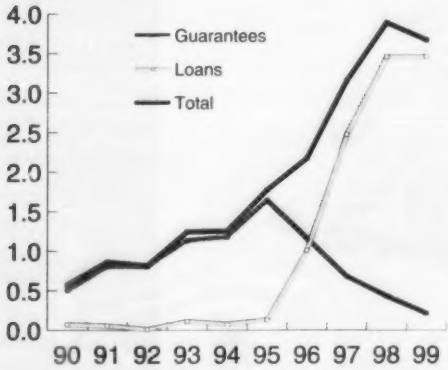
She is pleased to be back in the North providing dental education she feels is sorely lacking.

"It is a huge reward to be able to go back home to work."

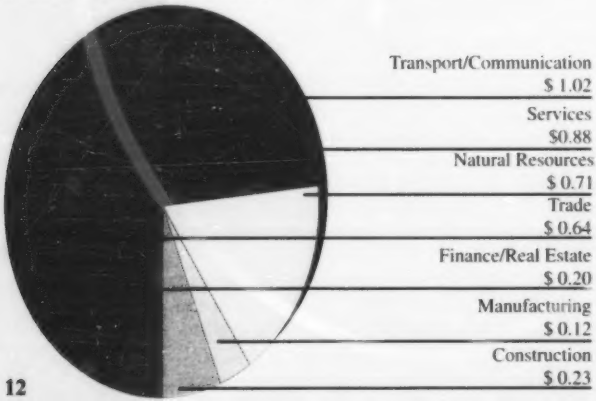
Investment in Northern Economy by Programs
Millions of Dollars ~ $3.80



Portfolio Growth
Millions of Dollars



Investment in Northern Economy by Industry
Millions of Dollars ~ $3.80



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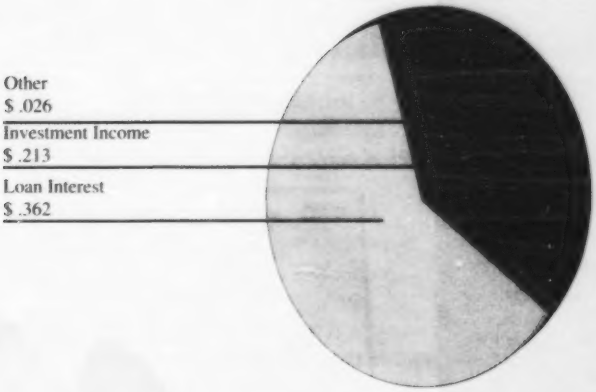
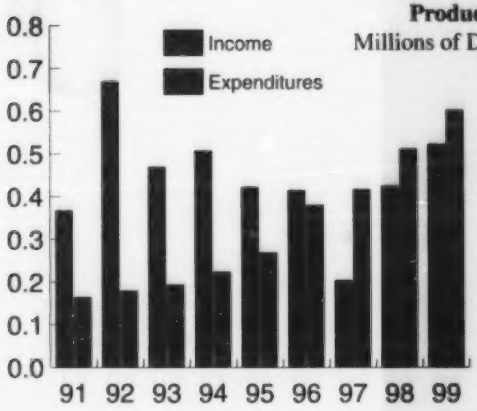
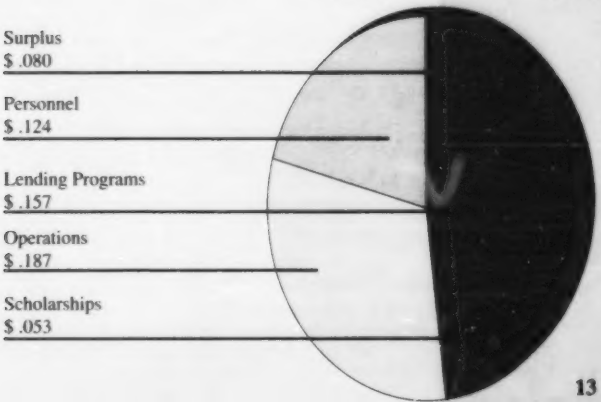
Gross Income
Millions of Dollars ~ $.601



Productivity
Millions of Dollars

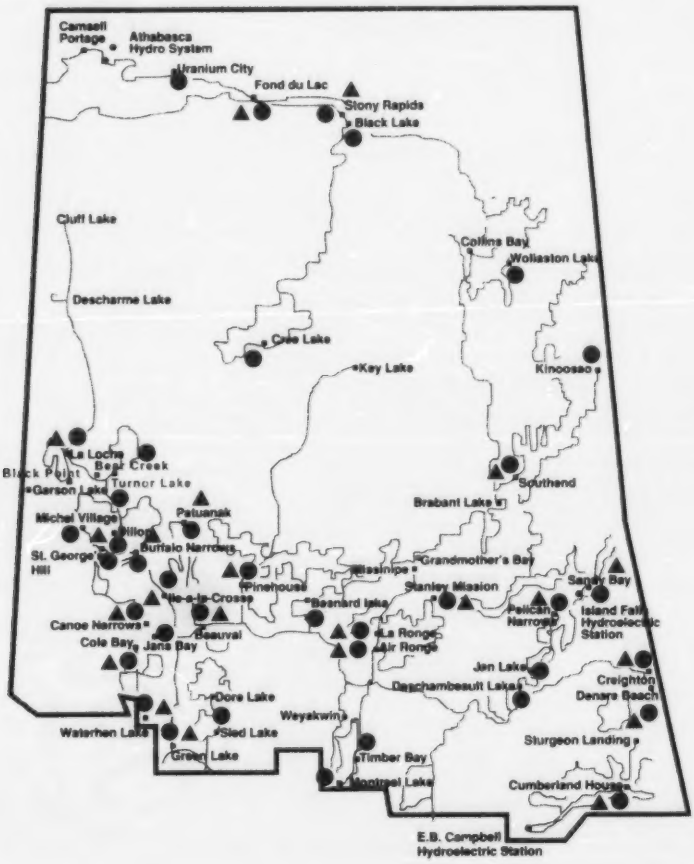


Distribution of Income
Millions of Dollars ~ $.601



SaskPower

NORTHERN ENTERPRISE FUND REGION



● Loans & Loan Guarantees
▲ Northern Spirit Scholarships
■ Northern Municipality/First Nation
• SaskPower Hydroelectric Station

1999 Highlights

- The Investment Fund Directors considered 62 applications for financing totaling $6.0 million in 1999. Thirty one (31) loans were approved, totaling $1.4 million, compared with 39 loans in 1998 totaling $2.2 million.

- The Northern Spirit Scholarship Committee considered 66 applications for scholarship in 1999. Twenty-two (22) scholarships were awarded, totaling $55,000, compared with 24 scholarships in 1998 valued at $60,000.

- The Fund maintained its syndication network in 1999 through 33 participation agreements with nine (9) other financial institutions. Over 1999, eleven (11) northern businesses leveraged long-term financing in excess of $2.3 million under these participation agreements. The Fund also continued to maintain close working relationships with Aboriginal Business Canada of Industry Canada (ABC), Clarence Campeau Development Fund (CCDF) and the Economic Development Opportunity Fund (EDOF).

- The Beauval Network Centre was officially opened on September 20, 1999. The Fund had relocated its headquarters to the facility in July and now acts as the anchor for the centre.

- A strategic review of the Fund and action plan were completed in 1999 for the purpose of ensuring the continued sustainability and viability of the Fund as a significant player in support of economic development in northern Saskatchewan.

- The Fund began a process of re-organization in 1999. As part of the re-organization, the Fund implemented new systems, office technologies and procedures to increase efficiency and reliability of information, supported by staff training and development programs.

- Mr. Larry Kram retired from the corporate board effective February 5, 1999. Mr. Kram served the Corporation and the Board with great distinction as president and chairman for more than seven years.

- Newly appointed as a corporate director in 1999 was Mr. Gerry Millette, Plant Manager of Northern Hydro, SaskPower

- New to the organization in 1999 was Mr. Darrel Burnouf of Beauval. Mr. Burnouf has assumed the position of adminstrative assistant with the Fund and is working towards a loans officer designation.

- The fifth annual SPNEF Golf Classic was held at the Nipawin Evergreen Golf Centre on June 8, 1999 with over 75 participants.

Management's Responsibility
for financial statements

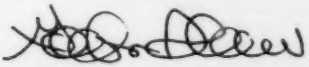
The accompanying financial statements of Northern Enterprise Fund Inc. have been prepared by management in accordance with generally accepted accounting principles, and necessarily include some amounts based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

The corporation's independent auditors, Ernst & Young LLP, have examined the financial statements of the Corporation. The scope of their examination, and their opinion on whether these financial statements present fairly the Corporation's financial position and operating results, are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting controls, policies and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals, and result in reliable financial statements.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The Board of Directors, at regular meetings, reviews audit, internal control and financial reporting matters with management and external auditors. The Board of Directors has reviewed and approved these financial statements.

On behalf of management



Gordon Shaw
Executive Director

Auditor's Report

To the Members of
Northern Enterprise Fund Inc.

We have audited the statement of financial position of **Northern Enterprise Fund Inc.** as at December 31, 1999 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Saskatoon, Canada
March 3, 2000

Ernst & Young LLP
Chartered Accountants

Statement of Financial Position

As at December 31

	1999 $	1998 $
ASSETS		
Current		
Cash	**152,820**	45,001
Short-term investments *[note 3]*	**1,030,873**	1,679,746
Accounts receivable *[note 4]*	**223,693**	135,229
Assets held for realization	**236,990**	—
Prepaid expenses	**2,904**	1,112
Current portion of loans receivable *[note 5]*	**1,295,457**	842,619
	2,942,737	2,703,707
Loans receivable *[note 5]*	**1,886,288**	2,614,998
Long-term investments & memberships *[note 6]*	**2,246,443**	1,699,983
Capital assets *[note 7]*	**142,893**	126,234
	4,275,624	4,441,215
	7,218,361	7,144,922
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	**23,734**	18,895
Provision for loan guarantees *[note 8]*	**10,532**	22,000
	34,266	40,895
Net assets		
Net assets held in trust for members	**100**	100
Net assets committed to loan guarantees *[note 8]*	**210,631**	430,548
Net assets invested in capital assets	**142,893**	126,234
Unrestricted net assets	**6,830,471**	6,547,145
Net assets	**7,183,995**	7,103,927
	7,218,361	7,144,922

Northern Enterprise Fund Inc. (Operating as SaskPower Northern Enterprise Fund)
(Incorporated under The Non-Profit Corporations Act of Saskatchewan)

See accompanying notes

On behalf of the Board:

Director Director Director

Statement of Operations & Net Assets

Northern Enterprise Fund Inc.
(Operating as SaskPower Northern Enterprise Fund)
(Incorporated under The Non-Profit Corporations Act of Saskatchewan)

Year ended December 31

	1999 $	1998 $
Revenue		
Interest and investment income	**575,325**	503,274
Royalty revenue	**—**	457,518
Rental income	**13,410**	6,500
Other income	**12,000**	—
	600,735	967,292
Operating expenditures		
Advertising and promotion	**23,163**	14,326
Amortization of capital assets	**14,591**	12,989
Application research	**3,497**	5,210
Directors' expenses	**62,563**	59,090
Office supplies and rent	**15,014**	17,568
Professional fees	**29,905**	33,868
Scholarships	**52,500**	50,000
Telephone	**10,428**	9,389
Travel	**19,081**	12,417
Utilities and property tax	**8,470**	9,523
Wages and benefits	**123,802**	108,052
	363,014	332,432
	237,721	634,860
Other income (expenditures)		
Defaulted loans	**(293,755)**	(55,145)
Payments on defaulted loan guarantees	**(32,949)**	(42,479)
Provision for loan and loan guarantee losses	**(91,423)**	(38,930)
Recoveries on loans and guarantees	**260,474**	45,104
	(157,653)	(91,450)
Excess of revenue over expenditures	**80,068**	543,410
Net assets, beginning of year	**7,103,927**	6,560,517
Net assets, end of year	**7,183,995**	7,103,927

See accompanying notes

Statement of Cash Flows

Year ended December 31

	1999 $	1998 $
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**80,068**	543,410
Add (deduct) charges to operations not requiring a current cash payment		
Amortization	**14,591**	12,989
Provision for loan and loan guarantee losses	**91,423**	38,930
Defaulted loans	**293,755**	55,145
Recoveries on loans through assets held for realization	**(236,990)**	—
Add changes in non-cash working capital items		
(Increase) decrease in accounts receivable	**(88,464)**	22,790
(Increase) decrease in prepaid expense	**(1,792)**	561
Increase in accounts payable	**4,839**	752
Cash flows from operating activities	**157,430**	674,577
INVESTING ACTIVITIES		
Advances on loans receivable	**(938,907)**	(1,883,538)
Repayments of loans receivable	**818,133**	763,178
Increase in long-term investments	**(546,460)**	(124,976)
Decrease in short-term investments	**648,873**	565,569
Purchase of capital assets	**(31,250)**	(11,642)
Cash flows used in investing activities	**(49,611)**	(691,409)
Increase (decrease) in cash during the year	**107,819**	(16,832)
Cash, beginning of year	**45,001**	61,833
Cash, end of year	**152,820**	45,001

See accompanying notes

Northern Enterprise Fund Inc. (Operating as SaskPower Northern Enterprise Fund)
(Incorporated under The Non-Profit Corporations Act of Saskatchewan)

1. NATURE OF THE FUND

Northern Enterprise Fund Inc. ("NEFI") was incorporated in 1988 under The Business Corporations Act (Saskatchewan) for the purpose of establishing and managing the SaskPower Northern Enterprise Fund (the "Fund"). On November 1, 1990, NEFI was continued as a non-profit membership corporation under The Non-Profit Corporations Act (Saskatchewan). The objectives of the Fund are to stimulate economic growth in northern Saskatchewan, to encourage economic independence and to provide educational opportunities for residents of northern Saskatchewan. The Fund derived royalty revenue from an agreement with Saskatchewan Power Corporation (SaskPower) under which funding expired June 30, 1998. These payments were based on the amount of electricity generated at SaskPower's hydro-electric stations in northern Saskatchewan to June 30, 1998.

Northern residents apply for financial assistance from the Fund for business ventures through loans or loan guarantees. Part of the Fund is also used for scholarships for northern residents attending technical schools or universities. Applications from northern residents for assistance or scholarships are reviewed by a board made up of a broadly based group of northern residents called the Investment Fund Directors. The Investment Fund Directors approve the applications and generally make all decisions with respect to the disposition of the Fund.

In the event of the liquidation, winding up or dissolution of NEFI, any residual property remaining in the Fund is to be distributed to the bodies described in subsection 199(5) of The Non-Profit Corporations Act at the absolute discretion of the Investment Fund Directors.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles, the more significant of which are as follows:

[a] Loan guarantees and loans receivable

Loan guarantees are granted when authorized by the Investment Fund Directors, a Loan Guarantee Agreement has been signed and the party involved has received a loan from a lending institution. A provision for loan guarantees is reflected in the accounts when it is determined that payment by the Fund under the guarantee is likely. A loan receivable is classified as non-performing when management has determined that there is a reasonable doubt as to the ultimate collectibility of principal or interest. The provision is established on a loan-by-loan basis for specifically identified probable losses on loans receivable. In addition a general provision is provided against unidentified future losses.

The Fund evaluates each borrowers creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, by the Fund upon extension of credit is based on managements credit evaluation of the borrower. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income producing commercial properties.

The Fund's lending activity is generally centered in Northern Saskatchewan. The Fund maintains a diversified portfolio with no significant industry concentrations of credit risk. Loans and loan guarantees are extended under the Funds normal credit standards, controls, and monitoring features. Most credit commitments are short term in nature, and maturities generally do not exceed five years. Credit terms typically provide for fixed rates of interest and

are generally not set for more than three to five years. Collateral is commonly required and would include such assets as marketable securities and cash equivalent assets, accounts receivable and inventory, equipment, other forms of personal property, and real estate.

Concentration of Credit Risk - Financial instruments which potentially subject the Fund to concentrations of of credit risk consist principally of loans receivable, securities, and loan guarantees. Managment is not aware of any concentraions of loans to classes of borrowers or industries that would be similarly affected by economic conditions. Although the Fund's loan portfolio is diversified, a substantial portion of its borrowers' ability to honor the terms of their loans is dependent on business and economic conditions in northern Saskatchewan and surrounding areas.

[b] Short-term and long-term investments
Short-term and long-term investments are recorded at the lower of cost or market value. Long-term investments are only written down when a decline in value is other than temporary.

[c] Assets held for realization
Assets acquired through foreclosure proceedings in respect of loans are included in assets held for realization at the lower of the carrying value of the loan at the date of acquisition or the estimated net proceeds from the sale of assets.

[d] Capital assets and amortization
Capital assets are recorded at cost. Normal repair and maintenance costs are expensed as incurred. Amortization is recorded in the accounts on the diminishing balance basis as follows:

Building	5%
Furniture and equipment	20%
Computer equipment	33%
Vehicle	25%

[e] Cash
Cash consists of cash on hand and balances held in banks.

3. SHORT-TERM INVESTMENTS

The market value of the short-term investments was $1,120,051 at December 31, 1999 ($1,698,182 at December 31, 1998). Included in short-term investments is $53,063 ($nil at December 31, 1999) in Province of Saskatchewan debentures.

4. ACCOUNTS RECEIVABLE

	1999	1998
	$	$
Interest receivable - investments	121,970	72,043
- loans	104,934	65,835
Other	**478**	1,040
	227,382	138,918
Allowance for doubtful accounts	**(3,689)**	(3,689)
	223,693	135,229

5. LOANS RECEIVABLE

Loans receivable consist of the following:

	1999	1998
	$	$
Loans receivable - performing	**1,737,989**	1,937,505
Loans receivable - non-performing	**1,726,346**	1,699,812
	3,464,335	3,637,317
Less provision for doubtful loans		
- specific items	**(180,773)**	(144,700)
- general provision	**(101,817)**	(35,000)
	3,181,745	3,457,617
Less current portion	**(1,295,457)**	(842,619)
	1,886,288	2,614,998

The maturity dates and average effective interest rates for the loan portfolio are as follows:

Maturity Dates

	1999							1998
	2000	2001	2002	2003	2004	Thereafter	Total	Total
	$	$	$	$	$	$	$	$
Effective rate	10%	9.88%	9.88%	9.93%	9.39%	9.11%	9.79%	9.87%
Loans receivable	173,228	754,943	500,793	756,325	429,911	849,135	3,464,335	3,637,317

6. LONG-TERM INVESTMENTS AND MEMBERSHIPS

Long-term investments and memberships consist of the following:

	1999	1998
	$	$
Long-term investments	**2,246,443**	1,699,883
North West Credit Union membership	**—**	100
	2,246,443	1,699,983

The market value of long-term investments approximates the book value at December 31, 1999 and 1998. Included in long-term investments is $500,000 ($357,754 at December 31, 1998) in Province of Saskatchewan bonds and debentures.

The maturity dates and average effective interest rates for long-term investments are as follows:

Maturity Dates

	1999							1998
	2001	2002	2003	2004	2005	Thereafter	Total	Total
	$	$	$	$	$	$	$	$
Effective rate	6.23%	—	5.3%	5.0%	5.6%	5.95%	5.62%	5.37%
Carrying value	538,604	—	582,535	200,000	335,000	590,304	2,246,443	1,699,883
Northwest Credit Union membership							—	100
							2,246,443	1,699,983

7. CAPITAL ASSETS

	1999			1998
	COST $	ACCUMULATED AMORTIZATION $	NET $	NET $
Land	**13,878**	**—**	**13,878**	12,375
Building	**119,269**	**24,599**	**94,670**	83,346
Furniture and equipment	**25,895**	**14,899**	**10,996**	9,910
Computer equipment	**26,760**	**11,095**	**15,665**	10,358
Vehicle	**15,012**	**7,328**	**7,684**	10,245
	200,814	**57,921**	**142,893**	126,234

8. LOAN GUARANTEES

The Fund is contingently liable under guarantees of bank indebtedness for various third parties that total $210,631 at December 31, 1999 ($430,548 at December 31, 1998). An allowance for defaulted loan guarantees has been provided by NEFI in the financial statements in the amount of $10,532 ($22,000 in 1998).

The Fund maintains a surplus in an amount that is equal to or greater than the total amount of loan guarantees outstanding.

The remaining maturity dates of the loan guarantees are as follows:

Maturity Dates

	1999						1998
	2000 $	2001 $	2002 $	2003 $	Thereafter $	Total $	Total $
Guarantee expires	88,131	100,000	22,500	—	—	210,631	430,548

9. COMMITMENTS

The Fund is committed to providing direct loans for $599,315 in fiscal 2000 and scholarships totaling $27,500 relating to scholarships awarded in the current year for the 2000/01 school year.

10. RELATED PARTY TRANSACTIONS

At December 31, 1999, a loan guarantee in the amount of $15,476 ($16,801 at December 31, 1998) and a direct loan of $57,000 was outstanding to a company controlled by an Investment Fund Director. NEFIs conflict of interest policies and procedures were followed in approving this loan guarantee and loan.

11. COMPARATIVE FIGURES

Certain of the comparative figures for 1998 have been reclassified to conform with the current years presentation.

12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date to the year 2000 has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

Organization

Corporate Board of Directors
Pat Hall, Chairperson
Gerry Millette, Director
Doreen Morin, Director

Corporate Secretary
F.G. Quennell, B.A., LL.B.

Auditors
Ernst & Young LLP

Solicitors
Robertson Stromberg
Francis Legal Services

Financial Services
Prince Albert Credit Union
Merrill Lynch
CIBC Wood Gundy Securities

Investment Fund Directors
Elmer Campbell, Dillon
Harold Carriere, Cumberland House
Roy Cheecham, La Loche
Lawrence McIntyre, Patuanak
Doreen Morin, Sandy Bay
Joe Roberts, Stanley Mission
Carol Rowlett, La Ronge

Management & Staff
Gordon Shaw, Executive Director
Larry Roy, Loans Administrator
Wendy Hood, Office Administrator
Darrel Burnouf, Administrative Assistant

Insurance Services
Aon Reed Stenhouse
Cherry Insurance Northern
Meadow North Agencies
Canadian Shield Financial Services

Communications Services
Aurora Communications
Northern Pride Publications

Sask*Power* Northern Enterprise Fund
Address: P.O. Box 220, Beauval, Sask. S0M 0G0
Telephone: (306) 288-2258
Toll Free: 1-800-864-3022
Facsimile: (306) 288-4667
e-mail: northern.enterprise.fund@sk.sympatico.ca

Beauval Network Centre
SaskPower Northern Enterprise Fund
Beaver River Community Futures Development Corporation
SaskNative Economic Development Corporation
Office of Northern Affairs/Northern Development Fund
North West Communities Wood Products Inc.
Northern Saskatchewan Tourism Region
Northlands College
Address: P.O. Box 220, Beauval, Sask. S0M 0G0
Telephone: (306) 288-4491
Toll Free: 1-877-288-1950
Facsimile: (306) 288-4667

SaskPower NORTHERN
ENTERPRISE FUND

P.O. Box 220
Beauval, Saskatchewan
S0M 0G0

Telephone: (306) 288-2258
1-800-864-3022

Facsimile: (306) 288-4667

Email: northern.enterprise.fund@sk.sympatico.ca

COVER ARTWORK BY JOHNNY MARTIN, STONY RAPIDS